

STAFF REPORT WITH RESPECT TO THE SELECTION OF
A METHODOLOGY FOR COMPUTING THE AVERAGE OF THE 45 HIGHEST
DAILY MARKET PRICES OF ELECTRIC ENERGY
PURSUANT TO 83 Ill. Adm. Code 451

January 30, 2002

I. Applicants to become certified Alternative Retail Electric Suppliers under the procedures of 83 Ill. Adm. Code 451 must be financially qualified. One way to demonstrate that the applicant possesses sufficient financial capabilities to serve those customers is for the applicant to certify that it will offer to reimburse Illinois retail customers for the additional costs they incur to acquire electric energy as a result of the applicant's failure to comply with a contractual obligation to supply such energy. The applicant's prospective obligation to reimburse Illinois retail customers shall be covered by an unconditional guarantee, payment bond, or letter of credit. According to the rule, any dollar limitation on the unconditional guarantee, payment bond, or letter of credit shall equal not less than the product of 1080 times an estimate of the maximum number of megawatts the applicant expects to schedule over the next twelve months times the average of the 45 highest daily market prices of electric energy traded during the previous year.

The Commission is required by 83 Ill. Adm. Code 451 to choose each January a published price index for electricity for the purpose of setting a minimum dollar limit on the unconditional guarantee, payment bond, or letter of credit. For 2002, following the procedure established last year, Staff recommends that the Commission adopt three published price indexes for day-ahead firm wholesale power that are reported by Power Markets Week ("PMW"): 1) the Commonwealth Edison ("ComEd") daily spot price index, 2) the Northern MAIN daily spot price index, and 3) the Southern Mid-America Interconnected Network ("MAIN") daily spot price index (See below for the recommended values of these three indexes). Through subscription, Staff has access to the necessary data. Each spot price index is applicable to a different geographic area in Illinois, as described below.

II. **ComEd.** The ComEd market covers the area served by the ComEd transmission system.

Northern MAIN. As established last year, and until future analysis indicates otherwise, South Beloit, Interstate Power Company, and Mid-American Energy Company in Illinois should be treated as part of Northern MAIN for purposes of 83 Ill. Adm. Code 451.

Southern MAIN. All other Illinois electric power utilities (AmerenCIPS, AmerenUE, Central Illinois Light Company, Illinois Power, Mt. Carmel Public Utility Company) should be treated as part of Southern Main for purposes of 83 Ill. Adm. Code 451.

III. Using the above-mentioned PMW database of firm power prices, Staff computed the average of the 45 highest daily prices during 2001 for the three areas: ComEd, Southern MAIN, and Northern MAIN. Since on-peak and off-peak prices are reported separately, composite daily prices were computed as the time weighted average: $[(8 \text{ hours} \times \text{the daily off-peak price}) + 16 \text{ hours} \times \text{the daily on-peak price}] \div 24 \text{ hours}$. For each of the three indexes, Staff first identified the 45 highest on-peak spot prices. Some of the off-peak prices on these 45 days were missing and, therefore, had to be estimated, using the same regression procedure approved last year.

IV. This method yields the following averages of the recommended daily electric energy price indexes during 2001, which should be utilized for purposes of 83 Ill. Adm. Code 451 during 2002:

ComEd:	\$46.31 per MWh
Northern MAIN:	\$45.42 per MWh
Southern MAIN:	\$48.46 per MWh

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